



Defense Security Cooperation Agency
NEWS RELEASE

On the web: <http://www.dsca.mil>

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DSCA to Change FMS Surcharges

Arlington, Virginia, March 15, 2006 – Today, the Defense Security Cooperation Agency (DSCA) announced it will change how it recovers U.S. Government (USG) costs for administering Foreign Military Sales (FMS).

Effective Aug. 1, 2006, DSCA will phase-in a package of reforms that clarifies the FMS support activities covered by the Administrative Surcharge, increases the FMS Administrative Surcharge rate, and eliminates certain logistics support charges.

The Arms Export Control Act (AECA) requires the U.S. Government to recover the full estimated cost of administration of FMS sales and mandates collection of an Administrative Surcharge on FMS cases to recover USG applicable costs to execute, manage, and oversee the program.

Major highlights of the reforms:

Effective Aug. 1, 2006, DSCA will:

- Issue guidance to ensure consistent application of activities covered by the Administrative Surcharge.
- Raise the FMS Administrative Surcharge from 2.5 percent to 3.8 percent.
- Eliminate the 5-percent surcharge for non-standard item support.
- Assess a minimum charge for “Small Cases” to recover USG applicable costs on all FMS cases.

Effective no later than October 2007, DSCA will:

- Eliminate the 3.1-percent Logistics Support Charge (LSC) assessed against specific logistic-related articles and services.

These are the first major rate changes for the program since 1999 when the FMS Administrative Surcharge was lowered from 3.0 percent to 2.5 percent. Since 1999, increased expenses and less-than-expected revenues have prompted DSCA to implement several cost-cutting measures. These savings, combined with the increased surcharge rate, should ensure full recovery of costs as required by law.

The FMS program provides friendly nations and international organizations access to defense articles and services through the Department of Defense’s total package approach to the transfer of defense capabilities. FMS also helps to develop and maintain long-term military-to-military relationships between U.S. forces and those of friendly nations.

The DSCA Director, Lt. Gen. Jeffrey Kohler, will conduct an on-the-record briefing and question and answer period Thursday March 16, at 2:30 p.m. Interested journalists should contact the DSCA Public Affairs office at (703) 601-3670 to register.

The “[Restructure of FMS Surcharges, Frequently Asked Questions](#)” pamphlet available on the DSCA web site provides additional information.